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SUBJECT: CAPE VERDE 2009-2010 INTERNATIONAL NARCOTICS CONTROL
STRATEGY REPORT (INCSR PART II)

REF: STATE 114960

The following is the draft submission for Cape Verde in the 2009 International Narcotics Control Strategy Report (INCSR PART II). This message answers questions 18-69 per reftel. Please direct additional questions to DCM Dana Brown at browndml@state.gov

GENERAL QUESTIONS

[¶18.](#) Cape Verde is not considered an important regional financial center. It is not significant in terms of money laundering.

[¶19.](#) Money laundering in Cape Verde is primarily related to the proceeds from illegal narcotics trafficking, especially cocaine, and the narcotraffickers themselves use the laundered money. Public corruption is very limited and does not contribute to money laundering/terrorist financing in Cape Verde.

[¶20.](#) There is no significant black market for smuggled goods. Contraband smuggling is not a significant problem.

[¶21.](#) The formal financial sector may be involved in money laundering, but there is no evidence that it finances terrorism. There has been no significant increase in financial crimes in Cape Verde.

[¶22.](#) To the best of our knowledge, Cape Verde's financial institutions do not engage in currency transactions involving international narcotics trafficking proceeds that (1) include significant amounts of U.S. currency; (2) currency derived from illegal drug sales in the United States or; (3) otherwise significantly affect the United States.

[¶23.](#) There is trade-based money laundering activity in Cape Verde (example: Last seizures in October included a boutique, and commercial buildings in Praia.)

OFFSHORE FINANCIAL CENTERS

[¶24.](#) Cape Verde is not considered an offshore financial center.

[¶25.](#) Offshore banks, international business companies, other forms of exempt and trusts are permitted. Shell companies are not permitted.

a. The country licenses offshore banks and businesses and adequately performs background checks on applicants for banking and business licenses in its offshore sector. Physical presence is required.

- b. There are ten offshore banks; and two insurance companies
- c. Anonymous nominee directors and/or trustees are not allowed.

¶26. There are no casinos in the country. If a casino wanted to open, the government would license and regulate the operation.

¶27. The offshore financial sector is regulated by the onshore regulator. Regulations governing offshore banks and businesses do not differ in any key respect from regulations governing domestic banks and businesses. Both offshore and onshore financial institutions are required to perform due diligence on customers and to file suspicious activity reports.

FREE TRADE ZONES (FTZs)

¶28. Currently there are no free trade zones operating in the jurisdiction.

¶29. N/A

¶30. N/A

LEGAL FOUNDATION OF AML REGIME

¶31. Money laundering is a criminal offense in Cape Verde. The law, enacted in 2002, was amended in April 2009. It criminalizes (1) converting or transferring proceeds from criminal activity, with the intent of hiding their illegal origin or of hindering their confiscation; (2) hiding the nature, location, or origin of the proceeds of criminal activity; (3) receiving proceeds of criminal activity. The law applies with equal force regardless of whether the underlying criminal activity giving rise to the laundered proceeds was committed in Cape Verde or abroad. The law punishes the above acts with 4 to 12 years' imprisonment. Those aiding and abetting such crimes are subject to the same penalties. The minimum and maximum sentences are increased by 50%, however, in cases involving organized crime, narcotrafficking, terrorism, and/or trafficking in persons, weapons, or explosives.

¶32. Cape Verde has not enacted secrecy laws that prohibit disclosure of client and ownership information by domestic and offshore financial services companies to bank supervisors and law enforcement authorities.

FINANCIAL SECTOR

¶33. Bearer securities are not permitted for banks and/or for companies.

¶34. The Central Bank supervises and examines financial institutions for compliance with AML/CFT laws and regulations. The institution regularly trains its staff.

¶35. Banks and other financial institutions are required to determine, record, and report the identity of customers engaging in significant financial transactions, including the recording of large currency transactions at thresholds appropriate to the country's economic situation. Passengers entering or exiting the country may carry up to one million Cape Verde Escudos (CVE) (approximately equivalent to 13,900 USD) without declaring the currency to customs.

¶36. Banks and other financial institutions are required to maintain records necessary to reconstruct significant transactions through financial institutions for a five-year period following the relevant transaction(s).

¶37. Financial institutions are required to report all suspicious transactions.

¶38. The law also extends the safeguards of Cape Verde's witness

protection law to individuals filing reports of suspicious transactions with respect to their cooperation with law enforcement entities.

INFORMAL FINANCIAL SECTOR AND NONFINANCIAL BUSINESSES AND PROFESSIONS

¶39. The AML/CFT controls are applied to non-bank financial institutions (NBFIs) and to designated non-financial businesses and professions (DNFBPs) (such as exchange houses, stock brokerages, cash couriers, casinos, dealers in jewels and precious metals, insurance companies, pawn shops, realtors, high-worth dealers in art and vehicles), and to intermediaries, (such as lawyers, accountants, notaries, or broker/dealers). All of the above are required to report suspicious and/or large financial transactions. Nonetheless, to date only banks and exchange houses have reported suspicious transactions.

FINANCIAL INTELLIGENCE UNIT (FIU)/INVESTIGATIONS

¶40. Cape Verdean law number 1/08 of January 14, 2008 provides for the establishment and funding of a financial intelligence unit (FIU).

¶41. The country created FIU in January 14, 2008, and it started to function in February 2009. It is operational, but still not adequately staffed. Although the law provides for its budgetary and operational independence, in practice it is dependent from the Central Bank. It is housed within the Central Bank's headquarters.

¶42. FIU was created as an administrative body with the function of collecting, centralizing, treating and analyzing information related to money laundering. It is composed of one element from each of the following entities: the Central Bank (coordinator), the Ministry of Justice, the Ministry of Internal Administration, the Attorney General's Office, and the Judiciary Police. The FIU performs analytical duties, and has no criminal investigative and/or regulatory responsibilities.

¶43. The FIU has access to the records or databases of other government entities and financial institutions. It has formal mechanisms in place to share information domestically and internationally.

¶44. There have been 21 suspicious transaction reports (STRs) as of December 1, 2009. Only three out of 21 were the subject of investigation, but all three resulted in referrals to State Prosecutor for action.

¶45. The Judiciary Police are responsible for investigating financial crimes, including money laundering and terrorist financing. As of December 2009, they are staffing and training additional personnel.

ASSET FORFEITURE AND SEIZURE LEGISLATION

¶46. In October 2009, five persons were convicted and sentenced to 23 to 25 years of imprisonment for drug trafficking, organized crime, and money laundering activities. During the first semester of 2009, Cape Verdean authorities seized 407.8 million CVE, equivalent to 5.6 million dollars worth of assets in connection with these convictions. Final statistics for 2009 are not yet available.

¶47. The money laundering law enacted in 2002, as amended in 2009, establishes systems for the identification, freezing, and seizure of narcotics-related assets.

¶48. The problems are related to financial constraint of the

country due to budgetary limitations.

¶49. The 2002 money laundering legislation, as amended in April 2009, broadens the scope of assets subject to seizure to include all assets that authorities reasonably believe have derived from money laundering activities. Authorities may only seize such assets, however, if they can prove a relationship between the assets and a specific crime. Legitimate businesses can also be seized if they are being used to launder drug money, support terrorist activity, or are otherwise related to criminal activity.

¶50. The Judiciary Police and courts are responsible for tracing, seizing, and freezing assets. Authorities may only freeze assets for five months, although the Judiciary Police has the power to confiscate such assets while frozen.. There is no asset forfeiture fund in Cape Verde. The law designates the Treasury as the recipient of the proceeds from asset seizures and forfeitures. The government has the responsibility of managing the seized assets.

¶51. The banking community cooperates with law enforcement efforts to trace funds and to seize/freeze bank accounts.

¶52. The law allows for civil as well as criminal forfeiture.

¶53. The government enforces existing asset seizure and forfeiture laws. The country is in the process of upgrading its police powers and resources to trace, seize, and freeze assets.

¶54. The government does not have an independent national system and mechanism for freezing terrorist assets.

55 During the first semester of 2009, Cape Verdean authorities seized 407.8 million CVE, equivalent to 5.6 million dollars worth of assets in connection with these convictions. Last year total year amount reported was 1.3 million dollars. Final statistics for 2009 are not yet available.

¶56. The 2002 money laundering law, as amended, allows the government to share seized assets with other governments. Cape Verde is engaged in bilateral and multilateral negotiations with US, Spain, Portugal, France, the Netherlands, and Brazil-among others-to enhance asset tracing, freezing, and seizure.

TERRORIST FINANCING

¶57. Cape Verde has criminalized the financing of terrorism as required by the UN International Convention for the Suppression of the Financing of Terrorism and UN Security Council Resolution 1373 thru Law number 39/VII/2009 of April 2009, article 25.

¶58. Cape Verde has circulated to its financial institutions the list of individuals and entities that have been included on the UN 1267 sanctions committee's consolidated list as being linked to Usama bin Ladin, members of the Al Qa'ida organization, or the Taliban. It has also circulated the list of terrorist organizations/financiers that the USG and the European Union (EU) have designated under relevant authorities. No terrorist-financed activities were ever identified in Cape Verde.

¶59. Cape Verde acknowledges the existence and use of value transfer systems outside the formal financial system. No actions have been taken regarding the informal sector.

¶60. N/A. See answer 58.

CROSS-BORDER TRANSPORTATION OF CURRENCY AND NEGOTIABLE INSTRUMENTS

¶61. There are statutory requirements for limiting or monitoring the cross-border transportation of currency and monetary instruments. Under law number 39/VII/2009 of April 2009, article, cross-border currency reporting requirements for both

inbound and outbound currency are limited to amounts exceeding one million CVE (approximately equivalent to 13,900 USD). There are no mandatory declaration forms used at border crossings.

¶62. Cash declaration or smuggling reports are entered into a database. Data is shared between Customs and the FIU.

INTERNATIONAL COOPERATION

¶63. Cape Verde has adopted laws or regulations that allow for the exchange of records with other countries on investigations and proceedings related to narcotics, all-source money laundering, terrorism, and terrorist financing. No agreement exists with the United States authorities on a mechanism for exchange of records in connection with such investigations and proceedings. Cape Verde is open to negotiating in good faith with the United States to establish such an exchange mechanism.

¶64. The country has entered bilateral judicial agreement to cover all areas of cooperation in criminal areas with Spain, Portugal, Senegal, and Guinea Bissau. See also 67. No specific agreements on money laundering were signed.

¶65. Cape Verde has always cooperated with requests from appropriate USG law enforcement agencies and other governments investigating financial crimes related to narcotics, and other crimes financial crimes. The Judiciary Police has exchanged information with the FBI regarding deportees involved in drug trafficking and money laundering.

¶66. No instances of refusals to cooperate with foreign governments have ever occurred.

¶67. Cape Verde is a party to the UN International Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention), the UN Convention Against Transnational Organized Crime (Palermo Convention), the UN Convention Against Corruption, and the UN International Convention for the Suppression of the Financing of Terrorism.

¶68. Cape Verde has adhered to the recommendations of the Financial Action Task Force (FATF). It is a member of GIABA (Intergovernmental Anti-Money Laundering Group in Africa).
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